



Endowment Fund Investment Board



Endowment Fund Investment Board (EFIB)

January 2004



Endowment Fund Investment Board

Recommendation:

- Reduce the spending policy for the Endowment Funds from the current 7.5% of a 3-year moving average to 4.0% of a 3-year moving average.
- The prolonged equity downturn, combined with the decline in timber revenues has caused the Earnings Reserve pools to fall substantially, making it difficult to meet the current payout level while preserving the real value of the Endowments.



Payout Levels: Public Schools and Pooled Beneficiaries

<u>Level</u>	<u>Public Schools</u>	<u>Pooled</u>
7.5%	34,436,660	15,769,695
7.0%	32,140,882	14,718,382
6.5%	29,845,105	13,667,069
6.0%	27,549,328	12,615,756
5.5%	25,253,550	11,564,443
5.0%	22,957,773	10,513,130
4.5%	20,661,996	9,461,817
4.0%	18,366,218	8,410,504



<u>Date</u>	<u>Public Schools</u>	<u>Pooled</u>	<u>Total Endowments</u>
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➡ 6/30/00 Beg Value	550,216,906	253,480,275	803,697,181
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FY01 Inflation	3.43%	3.43%	
\$ for Inflation	18,849,723	8,683,908	
Adds to Corpus	1,742,339	210,500	
Total Adjustments	20,592,062	8,894,408	

6/30/01 Ending Val	570,808,968	262,374,683	833,183,651
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FY02 Inflation	1.77%	1.77%	
\$ for Inflation	10,105,698	4,645,126	
Adds to Corpus	1,369,675	110,000	
Total Adjustments	11,475,373	4,755,126	

6/30/02 Ending Va	582,284,342	267,129,809	849,414,150
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FY03 Inflation	2.19%	2.19%	
\$ for Inflation	12,743,597	5,846,275	
Adds to Corpus	1,696,230	178,978	
Total Adjustments	14,439,827	6,025,253	

6/30/03 Ending Va	596,724,168	273,155,062	869,879,230
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Earnings Reserve and Spending Policy
Public School
Current Payout @ 7.5%

<u>Date</u>	<u>Corpus</u>	<u>Earnings Reserve</u>	<u>Payout Shortfall</u>
6/04	494,184,096	1,209,119	-30.82%
6/05	534,135,530	-	-9.49%
6/06	578,469,120	-	-20.74%
6/07	626,349,398	-	-22.65%
6/08	678,060,098	-	-26.44%
6/09	733,907,654	-	-38.94%
6/10	794,223,014	-	-43.64%
6/11	859,363,603	-	-47.34%
6/12	929,715,439	-	-50.11%
6/13	1,005,695,422	-	-53.32%



Earnings Reserve and Spending Policy Public School Payout @ 4%

<u>Date</u>	<u>Corpus</u>	<u>Earnings Reserve</u>	<u>Payout Shortfall</u>
6/04	485,854,219	1,209,119	0.00%
6/05	525,159,255	4,653,037	0.00%
6/06	568,774,743	17,828,269	0.00%
6/07	615,879,471	28,975,822	0.00%
6/08	666,752,576	41,302,913	0.00%
6/09	721,695,530	53,789,013	0.00%
6/10	781,033,921	62,149,424	0.00%
6/11	845,119,382	69,117,127	0.00%
6/12	914,331,681	74,763,280	0.00%
6/13	989,080,063	79,218,100	0.00%



Earnings Reserve and Spending Policy Pooled Current Payout @ 7.5%

<u>Date</u>	<u>Corpus</u>	<u>Earnings Reserve</u>	<u>Payout Shortfall</u>
6/04	230,351,727	8,849,367	0.00%
6/05	248,946,358	4,526,052	0.00%
6/06	269,028,559	4,261,051	0.00%
6/07	290,717,337	1,796,912	-8.43%
6/08	314,141,216	-	-22.62%
6/09	339,439,006	-	-35.79%
6/10	366,760,619	-	-40.62%
6/11	396,267,961	-	-44.42%
6/12	428,135,891	-	-47.22%
6/13	462,553,255	-	-50.53%



Earnings Reserve and Spending Policy Pooled Payout @ 4%

<u>Date</u>	<u>Corpus</u>	<u>Earnings Reserve</u>	<u>Payout Shortfall</u>
6/04	230,351,727	8,849,367	0.00%
6/05	248,946,358	11,179,805	0.00%
6/06	269,028,559	18,788,284	0.00%
6/07	290,717,337	25,403,576	0.00%
6/08	314,141,216	32,649,023	0.00%
6/09	339,439,006	40,122,480	0.00%
6/10	366,760,619	45,708,746	0.00%
6/11	396,267,961	50,791,940	0.00%
6/12	428,135,891	55,429,312	0.00%
6/13	462,553,255	59,709,839	0.00%